“Multinational Companies, Global Value Chains, and Social Regulation"

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“Multinational Companies and the Recomposition of Industrial Relations in Times of Crisis: the Exemplary Case of the Automobile Industry”

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Introduction

• **QUESTION:** What are the dynamics of the recomposition of “industrial relations” in the automobile industry, in France and in the New Member States (CEECs) ?

• **THE FIELD SURVEYED :**
  Three French firms representative of the sector: Renault, PSA and Valéo
• Semi-structured interviews (HR Directors, Unions)
• Period: 2005-2009
## Panel of Companies

<table>
<thead>
<tr>
<th>MNC</th>
<th>Governance Model</th>
<th>Employees by geographic zone</th>
<th>Countries with plants run by subsidiaries, surveyed: beginning of operations</th>
<th>Method of entry and ownership structure of subsidiaries</th>
<th>Employees in subsidiaries (2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renault</td>
<td>Ex-state-joint-owned Shareholder-owned</td>
<td>World: 128,000 Europe: 84,000 France: 44,000 CEECs: 15,000</td>
<td>Slovakia Rumania</td>
<td>Greenfield Brownfield Greenfield</td>
<td>134 11,500 1,430</td>
</tr>
<tr>
<td>PSA</td>
<td>&quot;family-owned&quot;</td>
<td>World: 211,700 Europe: 176,000 France: 122,000 CEECs: 13,750</td>
<td>Slovakia</td>
<td>Greenfield</td>
<td>3300</td>
</tr>
<tr>
<td>Valéo</td>
<td>Shareholder-owned</td>
<td>World: 70,000 Europe: 38,000 France: 18,000 CEECs: 8,700</td>
<td>Hungary Slovakia Rumania</td>
<td>Brownfield Greenfield Brownfield Greenfield</td>
<td>N.A. 1150 900 120</td>
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</tbody>
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Notes: * The governance model is defined according to two principal criteria: the distribution of ownership rights and the managerial culture.  
** JV stands for joint-venture.
HR Policy, Managerial Social Dialogue
and the Management of Local Social relations

Finance:
Shareholder Value


MNC Sector Head Offices

Strategic HR Policies

Managerial Social Dialogue

Organisational Flexibility and Contracting Policy

Management:
Local Social Regulation (formal and informal)
<table>
<thead>
<tr>
<th>Firms</th>
<th>Shareholding</th>
<th>Original social model</th>
<th>Industrial strategy</th>
<th>The 1980s-1990s: the internationalization of market integration strategies</th>
<th>Shareholding</th>
<th>International growth strategy</th>
<th>Strategic product</th>
<th>Strategic HR policy</th>
<th>Management of social relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renault</td>
<td>Public enterprise</td>
<td>Joint-State owned</td>
<td>Sectoral diversification, internationalization then refocusing</td>
<td>Listed company with State participation</td>
<td>Listed company under family control</td>
<td>Alliances and internal growth</td>
<td>Volume innovation and cost reduction</td>
<td>Market</td>
<td>Formalization</td>
</tr>
<tr>
<td>PSA</td>
<td>Listed company under family control</td>
<td>Paternalist</td>
<td>Acquisitions then restructurings</td>
<td>Listed company under family control</td>
<td>Listed company under family control</td>
<td>Targeted partnerships and internal growth</td>
<td>Innovation quality and cost reduction</td>
<td>Pro-active</td>
<td>Negotiated involvement</td>
</tr>
<tr>
<td>Valéo</td>
<td>Publicly listed company</td>
<td>Paternalist</td>
<td>External growth internationalization then refocusing</td>
<td>Publicly listed company</td>
<td>Publicly listed company</td>
<td>Rationalization integration of targeted, acquired activities</td>
<td>Innovation customer relations cost reduction</td>
<td>Market</td>
<td>Benchmarking</td>
</tr>
</tbody>
</table>

Table: Company Strategies, HR Policies and the Management of Social Relations in the French Automotive Sector
→ A managerial social dialogue at the service of the company’s industrial strategy:

A general logic of instrumentalizing the law, collective bargaining and European Works Councils; a distancing of trade unions through the massive use of ICT (HR-Intranet)

**Renault** : ambitious contractual policy at the world level (agreement on fundamental social rights in 2004, a group agreement on profit sharing, in 2008); advanced formalization of HR.

**France** : strategy of marginalizing the most combative unions (CGT).
**Rumania** : cooperation between local management and single union (with a conflict of the new generation: profit sharing at the level of the whole group).

**PSA** : The dropping of paternalism (1990s); RSE Group agreement (2006).

**France** : contractual policy (joint commissions on strategy, monitoring agency of professions, social agenda, convergence of bonuses).
**Slovakia** : growing interest for negotiation; recent extension of collective bargaining on working conditions and hours (with a link to the local implementation of the RSE agreement).

**Valéo** : Minimalist social dialogue; individualized management of compensation, careers and training.
Under-development of social policy at the group level: an Ethics Charter (ILO standards), and procedures for dealing with moral harassment/bullying.
## A Managerial Social Dialogue Consolidated by State and Community Regulations

<table>
<thead>
<tr>
<th>Managerial Social Dialogue</th>
<th>France</th>
<th>CEECs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Instituted</strong></td>
<td></td>
<td><strong>Disintermediated</strong></td>
</tr>
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### The new structuring of the law and collective bargaining at the national level

- An obligation to negotiate:
  - Social Cohesion Law (2005)
  - Law modernizing the social dialogue (2007-2008)
  - Legal rules, that are “open”, to local “interpretation”

- An institutional framework limiting the extension of negotiations (restricted moreover to salaries)
- A macro-social dialogue oriented to political haggling (lobbying, alliances between unions and political parties)
- A micro-social dialogue, which is essentially informal and paternalist

### The power relationships between States/unions/employers

- Instrumentalization of the law and collective bargaining by management;
- Unions: facing “constraints” to follow companies contract policies

- Role of the co-managers of States in past compromises with MNCs (attractiveness of FDI)
- Unions that are cooperative with management to organize change

### Influence of the Community framework

- A minimalist Community framework: some Directives on information and consultation; the exclusion of the PR dimension of the *acquis communautaire*. European Works Councils instrumentalized by management.
IV. The Crisis: What is New in the Field of Social Regulation?
Responses to the crisis in the automobile sector

A. France:

→ Revision of the “compromise” structured on “profit sharing in exchange of work intensification and “wage moderation” towards a “defensive flexibility” (Boyer).

“Crisis compromises” for Renault and PSA:

Similarities:
- **External flexibility**: attractive programs of “voluntary redundancy”; job adjustment with destruction of atypical employment (interim)
- **Internal flexibility** arrangements to maintain the “core competencies”: a strategy supported by the mobilization of various juridical tools (RTT, partial unemployment with no wage reduction, reduction of extra-hours)
- A clear “national preference” for production plans: arbitrage in favor of French sites, with the (temporary?) freezing of the development of sites in Slovenia (Renault) and Slovakia (PSA).

Differences in internal flexibility tools:
- **PSA**: relative employment protection in exchange of the reinforcement of the **multiannual modulation of working time**: employment flexibility as a new element of the social deal

- **Renault**: relative employment protection **with wage moderation**; special contribution by white-collar staff and managers in exchange of the opening up of previous flexibility agreements (1999).
The Return of a “Strategic State” Based on New Institutional Complementaries?

Automobile pact (Feb. 2009):

- Measures to support demand (car-replacement bonuses, bonus/malus)
- Financial support for cash flow
- Employment policy: subsidies for supporting partial unemployment; extension of the FNE convention on training
- Counterparts for receiving public subsidies: the commitment to maintain jobs on the national territory (no ‘social/redundancy plans’ for 2009; no closure of assembly sites during the time of the loan; engagement to maintain activities of R&D.

Other general and transitory measures:

- Strategic Investment Funds (December 2008): participation in the capital of Valéo, up to 8.33%
- To support employment (2008-2009):
  - State aid for the financing of partial unemployment; lengthening of partial unemployment period,
  - Extension of the “Professional Transition Contrat” to new areas,
  - Extension of the “Convention for personalized job search and reclassification”;
  - Social Investment Funds (April 2009)

New arrangements supporting mainly “defensive flexibility” to the detriment of real “flexisecurity” solutions:
employment or career security limited by the law (2008), and very little mobilization of training programs.
- reinforcement of the segmentation between atypical and standard working contracts.
B. NMS: Stronger Local Flexibility to Cope with the Crisis

The general logic of adjustment in the sector:

- Massive use of external flexibility (job destruction). Very few programs of “voluntary departures” (some are more “forced” than voluntary).

- Less use of internal flexibility: mainly based on the reduction of significant overtime and “forced” holidays.

- Wage moderation or reduction.

- Most of the adjustments are unilaterally defined by the Human Resources management: the downplaying and under-development of social dialogue

A few negotiated solutions to preserve employment:

- Renault-Dacia (Rumania): use of partial unemployment at end 2008 (75% of the salaries co-financed by the multinational and the state)

- Renault Slovenia: a “flexicurity” deal based on partial unemployment (85% of salaries with two-thirds financed by the state) in exchange for the involvement of the employees in training programs

- PSA Slovakia: negotiation on hours worked in the pick-up phase (lengthening of the working week and work on Saturdays).
The NMS: The Emergence of Strategic Industrial Policies

- Local responses to the crisis largely dictated by a permissive institutional environment.....
  - Relatively low employment protection rules (initial pressure came from the OECD and then the EU)
  - No legal framework for negotiating on working time or training: collective agreements almost exclusively concerned with wages;
  - Rare and uncertain measures of partial unemployment (Hungary, Slovenia)

- ..... With a re-orientation of the Strategic State centered on:
  - The end of the “low road” strategy: “race to the bottom”, tax exemptions and labor market deregulation as ways to attract FDI in the East-European territories
  - The emergence of a “high road” strategy: state subsidies for foreign constructors to support technological catch-up (eg: green car, etc.), investments in infrastructure (transport, training, and R&D).
  - Trends thwarted by austerity measures? Structural Adjustment imposed by the IMF.
Conclusions

Flow Chart: New Factors and Weaknesses of Institutional Complementarities in Times of Crisis

**Finance**
- Governance and shareholder logic
- Cash flow constraints (cash for cash)

**Managerial Social Dialogue**
Fragile and defensive compromise: “organizational flexibility (restructuring, working time, etc.) versus maintenance of tenured employment within country (relocation or an end to production relocation abroad).”

**Member State**
- New social dialogue (incentives for local SD, etc.).
- Industrial policy (targeted sectoral support, national plans).
- Early retirement schemes.
- Social management of the crisis.

**Community (EU) Framework**
- Competition policy
- Stability Pact
- Coordination deficit of industrial policies
- Tax harmonization deficit